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DIRECT TESTIMONY OF

David K. Baker

ICC NO. 03-

0366

ILLINOIS
COMMERCE COMMISSION

2003 JUN -21 P 2:08

CHIEF CLERK'S OFFICE

**APPLICATION OF ILLINOIS-AMERICAN WATER COMPANY
FOR APPROVAL OF A CERTIFICATE OF PUBLIC CONVENIENCE
AND NECESSITY TO CONSTRUCT AND OPERATE AN EXTENSION OF ITS WATER
DISTRIBUTION SYSTEM IN CHAMPAIGN COUNTY, ILLINOIS
PURSUANT TO SECTION 8-406 OF THE PUBLIC UTILITIES ACT**

11 **Q. Will you please state your name, business address, and telephone number for the**
12 **record.**

13 **A.** David K. Baker. My business address and telephone number are 201 Devonshire,
14 Champaign, IL 61826-9018, phone (217) 352-7001.

15 **Q. What is your position with Illinois-American Water Company ("Company" or**
16 **"Illinois-American")?**

17 **A.** I am the Manager of the Eastern Division of Illinois-American Water Company.

18 **Q. How long have you been associated with Illinois-American Water Company?**

19 **A.** Two years.

20 **Q. Would you give us a summary of your education and work experience?**

21 **A.** I graduated from Indiana University in 1980 with a B. S. Degree in Business Management. I
22 began my professional career with North American Van Lines world headquarters in Fort
23 Wayne Indiana, having been recruited from college to work in their management training
24 program. I then took a position in 1981 with ARA/Mears Services, Inc. a fortune 500
25 company, and was moved to Gary, Indiana to work in their management training program as
26 a Supervisor. After 14 months I was promoted to Branch Manager, responsible for all
27 operations of the Gary Branch.

28
29 In 1984, I resigned my position to return to Graduate School full time at St. Francis University

1 in Fort Wayne, Ind., and earned my MBA in Finance Dec. 1985. I began working for Waste
2 Management, Inc., the nations largest solid waste hauling and disposal company, as
3 Operations Manager in Fort Wayne in Sept. 1985. In December 1986, I was promoted and
4 transferred to Lexington, Kentucky, where I became the General Manager of Waste of
5 Management of Kentucky – Lexington, with total P/L and operations management
6 responsibility for 3 hauling companies in Central Kentucky. Later my position was elevated
7 to Division President and I continued in that position until June 1995.

8
9 I then joined Kentucky-American Water Company In Lexington, KY, in November 1995,
10 starting as Supervisor of Billing and Customer Service. I was promoted to Director of
11 Customer Service in January 1997, then later to Director of Business Development in 1998
12 where I worked for 3 years in acquisitions and development.

13
14 In February of 2001, I was promoted to Eastern Division Manager, Illinois-American Water
15 Company, Champaign Illinois. The Eastern Division consists of 65,000 customers in the
16 Champaign, Pontiac, Streator and Sterling Districts, and has 95 employees.

17 **Q. Are you familiar with the Petition which has been filed in this proceeding?**

18 **A.** Yes, I am.

19 **Q. What is the area served by Illinois-American Water Company?**

20 **A.** Illinois-American has four divisions. The Southern Division serves such cities as Alton,
21 Granite City, East St. Louis, Belleville, Cairo and their environs. The Northern Division
22 serves Pekin, Peoria, and Lincoln and their environs. The Eastern Division serves
23 Champaign, Urbana, Pontiac, Sterling and Streator and their environs. The Chicago
24 Metro Division serves certain areas in and around the Villages of Woodridge and
25 Bolingbrook and surrounding areas.

1 **Q. Do you know the approximate number of customers which are served by Illinois-**
2 **American's Eastern Division?**

3 **A.** Approximately 65,000 customers are served in the Eastern Division.

4 **Q. Are Illinois-American's four Divisions further divided?**

5 **A.** Yes. Each Division is divided into service districts. Illinois-American has four divisions.
6 The Southern Division serves such cities as Alton, Granite City, East St. Louis, Belleville,
7 Cairo and their environs. The Northern Division serves Pekin, Peoria, and Lincoln and
8 their environs. The Eastern Division serves Champaign, Urbana, Pontiac, Sterling and
9 Streator and their environs. The Chicago-Metro Division serves incorporated and
10 unincorporated areas in Cook, DuPage, Will, Kendall, Grundy, Kane and McHenry
11 Counties.

12 **Q. Why is the Company presently seeking to obtain a certificate to allow it to**
13 **construct and operate an extension of its water distribution system in Champaign**
14 **and Douglas Counties?**

15 **A.** Illinois-American has entered into a Water Supply Agreement with the Embarrass Area
16 Water District.

17 **Q. What is the source of supply of water for the area known as the Champaign**
18 **District of the Eastern Division?**

19 **A.** Groundwater.

20 **Q. Could you identify Exhibit 1 to the Petition?**

21 **A.** Exhibit 1 is a map depicting Petitioner's current certificated area and the area for which a
22 certificate is being sought.

1 **Q. Could you identify Exhibit 2 to the Petition?**

2 **A.** This is a copy of the Water Supply Agreement dated December 31, 2001, including the
3 First Amendment to the Water Supply Agreement dated December 30, 2002 between
4 Illinois-American and Embarras Area Water District.

5 **Q. Can you identify Exhibit 3 to the Petition?**

6 **A.** Exhibit 3 is the legal description of the area that is sought to be certificated in this
7 proceeding.

8 **Q. Can you identify Exhibit 4 to the Petition?**

9 **A.** Exhibit 4 is a drawing depicting the 12-inch main which Illinois-American desires to
10 construct, operate, and maintain in order to provide water service to Embarrass Area
11 Water District.

12 **Q. Can you identify Exhibit 5 to the Petition?**

13 **A.** Exhibit 5 is a list of owners of property from whom the Company may seek an easement
14 in order to install the facilities depicted on Exhibit 4 and required to provide service to the
15 area depicted on Exhibit 1, as reflected by the records maintained by the Assessor's
16 Offices in Champaign County.

17 **Q. Where is the area located in relation to Illinois-American's existing water lines?**

18 **A.** As indicated on Exhibit 4 of the Petition, the proposed main extension will extend from
19 the Company's existing 14-inch main at the northwest corner of Champaign County Road
20 600 North and Champaign County Road 900 East, easterly, then southerly, a total of
21 approximately eight miles to the point of connection to the Embarras Area Water
22 District's system designated in Exhibit 2 to the Petition.

23 **Q. Is any portion of the area sought to be certified in this proceeding located within
24 any water district or municipality currently providing water service?**

25 **A.** No.

1 **Q. Is any portion of the area sought to be certificated herein located within 1-1/2 miles**
2 **of the boundary of any municipality?**

3 **A.** Yes. Portions of the area are located within 1-1/2 miles of the corporate boundaries of
4 the Villages of Pesotum and Tolono, Illinois. The Village of Tolono is currently a
5 wholesale customer of Illinois-American.

6 **Q. Did you serve a Notice of the filing of the Petition with the Illinois Commerce**
7 **Commission on each of the above-named municipalities, and was a copy of the**
8 **Petition attached to such Notice?**

9 **A.** Yes. Illinois-American's Associate Counsel mailed, or caused to be mailed, a Notice with
10 an attached copy of the Petition to each municipality on May 30, 2003.

11 **Q. Has the cost of construction of the proposed main extension been determined?**

12 **A.** Yes, the estimated cost of the proposed facilities is \$1.39 million. The project will be built
13 and paid for by the Embarras Area Water District under the developer installed main
14 program. The Embarras Area Water District will be given refunds and entitled to
15 recapture payments, all in accordance with Part 600 of the Commission's rules.

16 **Q. What is the demand estimated for the development?**

17 **A.** Pursuant to the Water Supply Agreement with Embarras Area Water District, initial
18 aggregate of 245 gpm peak demand and up to an ultimate aggregate of 735 gpm peak
19 demand with additional repumping facilities and not less than an average of 35 psi. The
20 existing Champaign District average day demand is 20.27 million gallons per day (mgd)
21 and the peak day demand is 34.09 mgd. Initially, the anticipated additional demand
22 created by the connection with Embarras Area Water District and subsequent residential
23 customers along the transmission main is 0.54 mgd (0.35 mgd peak demand for
24 Embarras Area Water District and 0.14 mgd for demand along main, and a safety factor
25 of 1.1). Pursuant to the Water Supply Agreement, the District may demand an ultimate

1 aggregate of 735 gpm peak demand which will be approximately 1.08 mgd. Although the
2 Company will have sufficient capacity to meet this additional demand, the Company may
3 need to add a pumping station in order to deliver the water service at an average of 35
4 psi. If additional pumping is required, the District will pay for the construction costs of
5 such additional pumping station.

6 **Q. Does the Company have sufficient capacity to provide service to the area sought**
7 **to be certificated without building additional treatment facilities?**

8 **A.** Yes. This facility will be served by Illinois-American's Champaign District, which has a
9 rated treatment facility capacity of 40 mgd.

10 **Q. What is the total acreage requested to be certificated to the Company in this**
11 **proceeding?**

12 **A.** Approximately 4,850 acres.

13 **Q. Please provide a breakdown of the current usage of such acreage between**
14 **residential, industrial, agricultural, and public.**

15 **A.** Currently, 4,815 acres are agricultural and 35 acres are residential.

16 **Q. What is the amount of acreage which will be removed from its current use, due to**
17 **the installation of a permanent structure of the proposed facilities?**

18 **A.** None.

19 **Q. Has the Company previously entered into an agreement with the Illinois**
20 **Department of Agriculture in regard to extension of water lines?**

21 **A.** Yes, in April 1997, the Water Company entered into the Agricultural Impact Mitigation
22 Agreement with the Department of Agriculture.

23 **Q. Would the water line extension contemplated by this Petition be subject to this**
24 **Agreement?**

1 **A.** Yes. The area sought to be certificated, however, is ripe for development for residential
2 use and the Company will comply with the Agreement with the Department of Agriculture.

3 **Q.** **Do you believe it is to the best interest of the Company and to the best interest of**
4 **the public that the extension of the Company's water distribution system**
5 **described in the Petition be approved by the Illinois Commerce Commission?**

6 **A.** Yes. The Embarras Area Water District was formed to provide water service to various
7 counties and townships. The Embarras Area Water District has no other source of water
8 to provide its service to its customers. This area is a prime location for residential growth
9 and the proposed extension would benefit both the Company and the public by providing
10 adequate potable water service to allow and stimulate such growth.

11 **Q.** **Is Illinois-American capable of efficiently managing and supervising the**
12 **construction process incident to the provision of service?**

13 **A.** Yes. Illinois-American is one of the largest investor-owned water and waste water utilities
14 in Illinois and has many years of experience managing and supervising this type of
15 construction.

16 **Q.** **Is Illinois-American capable of financing the proposed construction without**
17 **significant adverse financial consequences for the utility or its customers?**

18 **A.** Yes. The Water Supply Agreement entered into with Embarras Area Water District is
19 consistent with longstanding Illinois-American practices and tariffs. Illinois-American has
20 access to all of the necessary funds to support its portion of these investments through
21 its parent, American Water.

22 **Q.** **Is the construction or operation of maintenance by Petitioner of the water facilities**
23 **necessary and appropriate to serve the parcels for which certification is**
24 **requested?**

- 1 **A.** Yes.
- 2 **Q.** **How will the water improvements be financed?**
- 3 **A.** The improvements will be financed in accordance with Part 600 of the Illinois
- 4 Administrative Code.
- 5 **Q.** **What rates, rules and regulations will be applicable to customers within the area**
- 6 **requested to be certificated in this proceeding?**
- 7 **A.** Those customers will be subject to the tariff rates, rules and regulations on file from time
- 8 to time and applicable to the Eastern Division of Illinois-American.
- 9 **Q.** **Does this conclude your testimony?**
- 10 **A.** Yes, it does.